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Proposal for the renovation of the North Building at the headquarters of the Economic Commission for Latin America and the Caribbean

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the proposal for the renovation of the North Building at the headquarters of the Economic Commission for Latin America and the Caribbean (ECLAC), in Santiago (A/73/351). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses dated 17 October 2018.

2. The renovation of the North Building is one of the near-term major construction projects identified in the report of the Secretary-General on the strategic capital review.[1] Following the earthquake in Chile in 2010, ECLAC concluded in its seismic resistance assessment of the compound's buildings that the North Building, constructed as a temporary structure in 1989, was in need of mitigation measures. In its previous report on the subject (A/72/7/Add.8), the Advisory Committee addressed the proposed strategies and mitigation measures, cost implications and other related matters, including staffing, put forth by the Secretary-General at the time. The report of the Secretary-General was submitted pursuant to General Assembly resolution 72/262 A, by which the Secretary-General was requested to refine the proposal and provide a detailed analysis thereon to the Assembly.

[1] The Advisory Committee has provided related observations and recommendations in its most recent report on the strategic capital review (A/72/7/Add.9).

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II. Progress in the implementation of the project

Cooperation with the host country Government and other Member States

3. With respect to cooperation with Member States and the host country Government, as well as voluntary contributions, the Secretary-General indicates that a host country agreement was signed in February 1948, providing for privileges and immunities, including exemptions from local taxes and import duties, for entitled staff and for official purposes, and, inter alia, for construction materials, equipment and infrastructure materials. He also indicates that the host country has provided significant support for United Nations operations in Chile and specifically for the ECLAC compound, with the land for the construction and expansion of the ECLAC compound donated by the Government of Chile in 1960 and 1997, respectively (see A/73/351, paras. 31–33). With respect to voluntary contributions provided by other member States of ECLAC, the Advisory Committee was informed, upon enquiry, that ECLAC is developing an outreach plan aimed at exploring potential voluntary contributions. The Committee was furthermore informed that, while ECLAC has made initial contacts with one member State with respect to the provision of technical assistance, no concrete offers have yet been made.

4. **The Advisory Committee expresses its gratitude to the host country for its continued support of ECLAC in all respects and trusts that the Secretary-General will continue to take steps to engage with the host country to ensure the success of the project. Furthermore, the Committee encourages the Secretary-General to intensify efforts aimed at engaging with other Member States regarding voluntary contributions and other forms of support for the project.**

Project management

5. Details with respect to project governance and management, including the structure of the project team, are described in the report of the Secretary-General (ibid., paras. 12–18). The Secretary-General indicates that the steps taken with regard to the overall management of the project include: (a) the establishment of a stakeholders committee, led by the Executive Secretary of ECLAC as the project owner, in March 2018, with the first meeting held on 21 July 2018; (b) the coordination with the Office of Central Support Services at Headquarters through regular meetings, general project oversight and technical guidance and advice, including lessons learned from other capital projects; and (c) the recruitment of an independent risk management firm in order to work on two United Nations construction projects, namely at the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific (ESCAP) (see also A/73/425, para. 3), and at ECLAC, where it commenced work in early 2018 (see also paras. 8–10 below). Upon enquiry, the Advisory Committee was informed that the contract for the independent risk management firm would continue until November 2024.

6. With respect to the ECLAC project team, the Secretary-General indicates that the recruitment process for the Project Manager position (National Professional Officer) has been completed. Upon enquiry, the Advisory Committee was informed that the selected candidate started duties in August 2018. Furthermore, the Secretary-General proposes the establishment, under section 21 of the programme budget, Economic and social development in Latin America and the Caribbean, of two temporary positions (1 Architect (Local level) and 1 Administrative Assistant (Local level)) effective 1 January 2019 until the end of the construction phase. Furthermore, the Secretary-General proposes to establish a Headquarters-based position of Project Coordinator (P-3) to provide day-to-day oversight, guidance and technical support to

the ECLAC project team, under a cost-sharing agreement with the United Nations Office at Nairobi, whereby ECLAC will contribute 25 per cent of related costs, (see also A/73/426, para. 17, and para. 26 below). **The Committee recommends the establishment of the three aforementioned positions (2 Local level and 1 P-3). The Committee emphasizes that the overall duration of the positions should correspond to the actual needs identified in the various phases of implementation of the project (ibid.).**

7. With respect to progress made regarding the consultancy services for architectural, engineering and construction management for the production of detailed design and technical documentation, the Secretary-General indicates that the issuance of a request for expressions of interest was under preparation, with work expected to commence in early 2019 (see A/73/351, paras. 40–41).

Risk management and project schedule

8. Details with respect to risk management and the overall project schedule are described in the report of the Secretary-General (ibid., paras. 22–30, 50–51 and figure II), wherein he indicates that the overall timeline of the project remains unchanged, with construction to occur in 2021 and 2022, and completion of the project at the end of 2023, despite some delays in the recruitment of the project management team and the procurement of an independent risk management firm. The Secretary-General indicates furthermore that construction efforts to date have remained on track, such as the completion in March 2018 of swing space for 73 staff members for the duration of the project. With respect to the overall risk assessment of the project, including any impact on the existing timelines, the Secretary-General indicates that a qualitative risk assessment workshop was held in July 2018, resulting in a project risk management strategy and a project risk registry. Upon enquiry, the Advisory Committee was informed that, once a quantitative risk assessment workshop is held in the first quarter of 2019, more detailed information will be available on the scope and design elements in order to enable the conduct of a Monte Carlo analysis[2] and produce a cost-sensitivity chart.

9. With respect to the aforementioned risk register and the identification of risks, the Secretary-General indicates that, as a mitigating measure, risks will be addressed in the design phase. Of a total of 10 main project risks identified, the three greatest risks are: (a) exterior enclosure and roofing risks and possible cost variances related to manufacturing defects and assembly challenges; (b) interior construction and related possible cost variances in connection with drywall work, ceiling systems and furniture; and (c) heating, ventilation and air conditioning (HVAC) building costs, reflecting a need to import most of the related equipment owing to its unavailability in the local market, which may result in scheduling risks such as long procurement, manufacturing and importation lead times.

10. **The Advisory Committee notes the Secretary-General's intention to mitigate project risks during the design phase and looks forward to the results of the Monte Carlo analysis. The Committee trusts that updates thereon will be provided in future progress reports.**

Planning and design activities

11. The Secretary-General states that a space utilization analysis with respect to workspace efficiency was conducted in 2017, by which it was determined that the

[2] A statistical analysis method used to better understand the impact of risks in a project, by using a range of minimum to maximum values with regard to time frames and cost estimates for stages and components, through a computer-based simulation that runs multiple random project scenarios (see A/72/7/Add.6, para. 21).

overall presence of staff at their workplaces (or workspace utilization rate) averaged 53.9 per cent. Furthermore, ECLAC is in the process of undertaking a thorough design exercise that takes into consideration group/team working areas, open working areas, open shared areas, classrooms, auditoriums and meeting and conference rooms (ibid., paras. 42–45). The Advisory Committee notes that this approach is in accordance with the observation of the Board of Auditors that, drawing on lessons learned from the capital master plan at United Nations Headquarters, there is a need for future projects to incorporate flexible workplace arrangements during the initial planning and design stage in order to ensure economy and savings in time and effort (see A/73/5 (Vol. V), annex II, sect. 6). **The Committee trusts that flexible workplace arrangements at ECLAC will be an integral part of the design phases and will also be factored into the structural design proposal and contract specifications. The Committee reiterates that a clear timeline for the implementation of flexible workplace strategies, including information on established targets and efficiencies, should be included in future progress reports (see also A/72/7/Add.8, paras. 25–27).**

12. Upon enquiry, the Advisory Committee was provided with a visual presentation of the North Building renovation project, including relevant model graphics and charts. **The Committee considers that such information will be a useful addition to future reports and recommends that the General Assembly request the Secretary-General to incorporate plans, graphics, outlines and charts into future progress reports, as appropriate. Furthermore, the Committee requests the Secretary-General to provide the latest such information to the Assembly at the time of its consideration of the present report.**

Seismic mitigation

13. The Secretary-General indicates that the North Building project concept design was presented by ECLAC at a meeting of the Inter-Agency Network of Facilities Managers, held in Bangkok in May 2018, aimed at sharing knowledge of current trends and best practices carried out in other United Nations capital projects, including the ESCAP seismic mitigation project (see A/73/351, para. 39). The Advisory Committee recalls that a number of safety concerns exist with respect to the North Building pertaining to seismic code compliance, fire protection and egress and that, following the 2010 earthquake, a number of seismic improvements, repairs and maintenance were performed on all ECLAC buildings, with the exception of the North Building. **The Committee continues to stress the importance of close coordination between ECLAC and the Secretariat in New York, in particular the Office of Central Support Services, to ensure proper oversight and governance of the project. The Committee welcomes the fact that lessons learned have been shared with other capital projects facing similar challenges, such as the ESCAP and ECA projects, and trusts that this effort will continue. Furthermore, the Committee trusts that information with respect to the planned seismic mitigation measures will be included in future reports on the renovation of the ECLAC North Building.**

Procurement and use of local materials

14. Upon enquiry, the Advisory Committee was informed that procurement activities for the ECLAC project will be open to all international bidders, in accordance with the Financial Regulations and Rules of the United Nations, and that the selection of materials will take into consideration, for example, the suitability of materials to perform under local climatic conditions and the availability of spare parts and maintenance. The Committee was furthermore informed that it is expected that many of the required construction materials would originate from the region. **The Committee reiterates the importance of ensuring the use of locally sourced and**

manufactured materials, as well as labour, and looks forward to updates thereon in future progress reports (see also A/72/7/Add.8, para. 31).

Energy efficiency and resulting cost savings

15. The Secretary-General indicates that the North Building renovation project would result in a "net-zero" building, defined as a building where the total amount of energy used by the building on an annual basis is equal to or less than the amount of renewable energy generated on site, often producing excess energy for use elsewhere (see also A/73/351, paras. 3–5). Upon enquiry, the Advisory Committee was informed that several elements were needed to achieve a net-zero building, including on-site energy production, intelligent building through the use of building automation and high-efficiency building equipment.

16. The planned outcomes of the energy and water efficiency measures of the renovation project include: (a) a 40 per cent reduction in the North Building's current electrical load; (b) the generation of 115 per cent of the North Building's electrical load through a newly installed photovoltaic plant, with the 15 per cent energy surplus to be redirected to other ECLAC buildings, resulting in savings with respect to the overall operational costs of the campus; (c) reuse of 100 per cent of the North Building's wastewater for irrigation purposes through the construction of a wastewater treatment plant; and (d) a projected reduction of the North Building's annual greenhouse gas emissions,[3] in accordance with General Assembly resolutions 70/205 and 71/228, whereby the Assembly requested the Secretary-General to plan significant actions aimed at integrating sustainable development practices into United Nations operations and facilities management (ibid., paras. 5 and 8). Upon enquiry, the Advisory Committee was informed that a net-zero building is able to store surplus energy and, as it is connected to both an external and an internal electrical grid, the building's energy is drawn from or returned to the grid by an automatic transfer switch. Upon further enquiry, the Committee was informed that the host country permits energy consumers to sell, using regulated prices, any produced surplus energy back to energy supply companies.

17. With respect to the impact of energy efficiency on overall long-term efficiency gains, the Advisory Committee recalls a cost difference in the amount of $13.8 million between strategy 1 and strategy 2 as presented by the Secretary-General in his previous report (A/72/367). At the time, the Committee recommended the implementation of strategy 2, option 1, namely the "complete building renovation strategy" or a "gut renovation" of the building, which would result in a total cost of ownership of $18.185 million, owing in large part to long-term cost efficiencies, given that the total amount of energy used would be equal to or less than the renewable energy created, as also described above. In comparison, the other option presented at the time, the "programmed multiple intervention strategy", or strategy 1, would consist of multiple renovations and repairs and result in a cumulative cost of ownership of $32 million (see A/72/7/Add.8, paras. 4–5, and 28–29). **The Committee encourages the Secretary-General to share applicable lessons learned with respect to energy efficiency in the planning and implementation of other United Nations construction projects, including the ECA and ESCAP projects and the strategic heritage plan of the United Nations Office at Geneva.**

18. Upon enquiry, the Advisory Committee was informed that the total cost of ownership under the scope of strategy 2, a one-time building renovation, is currently estimated to result in savings of $13.8 million after a 20-year period. Furthermore, strategy 2 would provide the Organization an asset with a useful life of between 40

[3] Greenhouse gas emissions would be reduced by an amount equivalent to 104.7 tons of carbon dioxide.

and 50 years, resulting in a lower total cost of ownership, whereas strategy 1 would add only approximately 10 years of useful life to the building, ending in 2029. The Committee was also informed that the total cost of ownership takes into consideration one-time construction costs, energy costs and maintenance costs, including services such as general cleaning, waste disposal, elevator operation and maintenance, electrical maintenance, HVAC maintenance and fire and safety. Upon enquiry, the Committee was also informed that, in a hypothetical scenario, rental costs for the North Building would be recovered in approximately 12 years, as renting a comparable space would cost $21 million over a 20-year period at current market rates, not taking into account a one-time investment of approximately $2.12 million for interior design and renovation of such a hypothetical rental space, as well as unspecified costs for various support services.

19. **The Advisory Committee reiterates its recommendation for the implementation of strategy 2, option 1; however, the Committee is of the view that there is a need to provide further details on the envisaged efficiency gains in the amount of $13.8 million and recommends that the General Assembly request the Secretary-General to include such information in the next progress report on the subject.**

20. With respect to the overall classification of the renovated structure, the Advisory Committee was informed, upon enquiry, that the North Building would be designed as a class A building. The Committee recalls that, according to the International Public Sector Accounting Standards, a building with a useful life of 50 years should be classified as a class A building. The Committee also recalls that the use of quality materials and passive, fire-rated insulation in the building envelope and interior retrofitting, as well as a functional design for a healthy and safe working environment, would make the building a permanent structure with a fully extended useful lifespan (ibid., para. 22).

21. **The Advisory Committee welcomes the planned renovation of the North Building as a sustainable and energy-efficient, net-zero building. Furthermore, the Committee reiterates that the design phase will result in a structural design proposal for a class A North Building and ensure compliance with all relevant regulations (see also A/72/7/Add.8, para. 22).**

III. Project expenditures and anticipated costs

22. Upon enquiry, the Advisory Committee was provided with the table below, showing a comparison between the previous and proposed revised cost plans, indicating an increase of $262,200 as compared with the original proposal. **The Committee is of the view that proposals for a revised project cost plan should include comparative information and explanations relating to both the original cost plan and the revised cost plan. The Committee recommends that the General Assembly request the Secretary-General to include such comparative information for all future construction projects, as required (see also A/73/425, para. 20, and A/73/426, para. 9).**

Comparison between previous and revised cost plans

(Thousands of United States dollars)

	A 72 367	*A 73 351*	*Difference*	
	(a)	*(b)*	*(b)-(a)*	*Reasons for the difference*
Construction costs				
Building cost	7 195.0	6 318.0	(877.0)	The outcome of the technical study to determine the type of glazing system for the facade resulted in a recommendation to replace the initially suggested triple glazing panels with double glazing panels that prove to be nearly as effective as the original choice.
Energy efficiency systems	1 337.0	1 770.0	433.0	The increase is a result of the refinement and design decisions following several technical studies of the energy efficient solutions that will decrease the North Building's environmental impact through the installation of a photovoltaic plant, a solar shading structure and a water treatment plant.
Swing space costs	91.0	400.0	309.0	Owing to a change in the swing space strategy to incorporate additional features to improve accessibility, safety and security and sustainability to ensure appropriate working conditions for staff during the construction period.
Physical security system	–	462.0	462.0	Additional requirements for safety and security equipment have emerged, relating to access control, means of egress and a fire alarm system, and so on.
Subtotal	**8 623.0**	**8 950.0**	**327.0**	
Professional services				
Consultancy	550.0	706.0	156.0	Following the technical studies and analysis of the risks on the performance of the building, in order to avoid the inappropriate selection of materials and systems and/or flawed installation, specialized consultancy firms are required for: (a) design and engineering services for the Facade ($56,000); and (b) engineering services for design and monitoring of the installation/commissioning of the photovoltaic plant ($100,000).

	A/72/367	A/73/351	Difference	
	(a)	(b)	(b)-(a)	Reasons for the difference
Risk management	200.0	200.0	–	–
Other services	–	85.0	85.0	–
Subtotal	750.0	991.0	241.0	
Escalation	2 190.0	1 657.0	(533.0)	The decrease relates to the exclusion of the escalation costs that had previously been considered for consultancy/professional services and project management costs.
Contingency	1 124.0	1 091.3	(32.7)	Revised on the basis of an overall updated estimate.
Project management				
Dedicated project management and support team	1 431.0	1 556.1	125.1	Adjusted to latest costs.
Project Coordinator at Headquarters (25 per cent of costs)	–	134.8	134.8	Project Coordinator in the Office of Central Support Services, cost-shared with the United Nations Office at Nairobi, not included in the previous report.
Subtotal	**1 431.0**	**1 690.9**	**259.9**	
Total	**14 118.0**	**14 380.2**	**262.2**	

23. Upon enquiry, the Advisory Committee was informed that under "other services", travel costs in the amount of $85,000 for the period 2019–2022 have been included, reflecting the travel requirements of the Project Coordinator to facilitate the risk management workshop and on-site assessment and to participate in technical evaluations for project-specific tenders and other site inspections that require physical presence. **The Committee considers that travel-related costs should be shown as a separate line item in order to ensure transparency in the resource requirements.**

24. The Advisory Committee notes from the table above that costs related, for example, to safety and security, have been omitted in the initial estimate, resulting in additional costs of $309,000 under "swing space", and $462,000 under the new category "physical security system" related to safety and security equipment, for previously unknown but essential work related to access control, means of egress and a fire alarm system. **The Committee notes with concern that, although such work is considered essential, it appears to have been previously unknown. The Committee expects that the Secretary-General will ensure that the project will deliver renovation works that conform to relevant building codes and standards, including on accessibility, seismic mitigation and workplace safety. The Committee further notes that the additional costs, including for safety and security-related requirements, amount to a cumulative total of $771,000, and trusts that the Secretary-General will provide the General Assembly a further breakdown of these related costs.**

25. As indicated in the report of the Secretary-General, the approved funding for 2018 amounts to $160,000, with no actual expenditure incurred as at 30 June 2018 (see A/73/351, para. 52 and table 2). Projected expenditure for the remainder of 2018

would amount to $125,000, with the unused balance of $35,000 attributable to the late recruitment of the Project Manager in August 2018 (see also para. 6 above).

26. As indicated in the report of the Secretary-General, the resource requirements for 2019 amount to $711,700,[4] comprising:

(a) $266,700 under budget section 21, Economic and social development in Latin America and the Caribbean, for the project management team, namely for the continuation of the existing Project Manager (National Professional Officer); two new positions (Local level), effective 1 January 2019; and 25 per cent of the cost of one Project Coordinator (P-3), the cost of which would be shared with the United Nations Office at Nairobi;

(b) $445,000 under section 33, Construction, alteration, improvement and major maintenance, for professional services related to the lead consulting firm and the risk management firm and provision for contingencies (ibid., paras. 53 and 54).

Multi-year construction-in-progress account

27. The Secretary-General proposes the establishment of a multi-year construction-in-progress account (ibid., para. 56 (e)). The Advisory Committee recalls that in this type of account the expenditures of major construction projects approved by the General Assembly as part of the programme budget are recorded. Funding does not expire at the end of a financial period and, upon the completion of the project, expenditures are to be reported with any unused amounts to be returned to Member States. Multi-year construction-in-progress accounts are also used with projects in Bangkok and Addis Ababa (see A/72/7/Add.8, para. 32). The Committee recalls that the Secretary-General has proposed the establishment of a multi-year special account for the strategic heritage plan in Geneva (see A/73/395, paras. 108 and 109). **The Committee recommends the establishment of a multi-year construction-in-progress account.**

IV. Conclusion

28. The recommendations of the Secretary-General on proposed actions to be taken by the General Assembly are set out in paragraph 56 of his report. **Subject to its recommendations and observations above, the Advisory Committee recommends that the General Assembly:**

(a) **Approve the proposed overall scope of the project and its maximum cost and implementation strategy;**

(b) **Approve the establishment of two temporary positions (Local level), effective 1 January 2019, within the dedicated project management team, under section 21, Economic and social development in Latin America and the Caribbean, of the programme budget for the biennium 2018–2019;**

(c) **Take note of the proposed establishment of the position of Project Coordinator (P-3), for which approval has been sought in the context of the project for the replacement of office blocks A–J at the United Nations Office at Nairobi, and the joint funding of that position within the overall costs of both projects;**

(d) **Appropriate an amount of $676,700 for the project in 2019, comprising $231,700 under section 21, Economic and social development in Latin**

[4] The gross amount is $711,700. The net amount is $676,700, which takes into account the unused balance of $35,000 at the end of 2018.

America and the Caribbean, and $445,000 under section 33, Construction, alteration, improvement and major maintenance, of the programme budget for the biennium 2018–2019, which would represent a charge against the contingency fund;

(e) Approve the establishment of a multi-year construction-in-progress account for the project.